

Message Text

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P 281740Z FEB 75

FM AMEMBASSY BUENOS AIRES

TO SECSTATE WASHDC PRIORITY 0098

USDOC WASHDC

UNCLAS BUENOS AIRES 1388

PASS EXIMBANK FOR MARVIN MANN

E.O. 11652: N/A

TAGS: BPRO, AR

SUBJECT: CREDIT INQUIRY ON ALUAR S.A.I.C.

REF WILLIAMS/MANN TELCON 13 FEB; BA 1153

1. FOLLOWING CABLE WAS SENT AS BA 1153 ON 19 FEB. EXIMBANK
INFORMS US IT WAS NOT RECEIVED IN DEPARTMENT OF STATE.

2. QUOTE. WITH REFERENCE TO YOUR INQUIRY ON THE HEWLETT PACKARD
SALE OF COMPUTERS TO ALUAR, THERE FOLLOW THE ANSWERS TO YOUR
QUESTIONS:

3. GOA EQUITY SHARE IN ALUAR: THE GOA HAS A NOMINAL EQUITY
SHARE IN ALUAR VALUED AT 1 (ONE) ARGENTINE PESO.

4. GOA MANAGEMENT PARTICIPATION IN ALUAR: DESPITE ITS NOMINAL
EQUITY INTEREST, THE GOA HAS TWO DIRECTORS ON THE BOARD
OF ALUAR AND ONE "SINDICO" (SHAREHOLDER REPRESENTATIVE)
IN ALUAR. THE TWO DIRECTORS ARE MEMBERS OF COPEDESMEL,
COMISION PERMANENTE DE PLANEAMIENTO DEL DESARROLLO DE LOS
METALES LIVIANOS, A GOA AIR FORCE ORGANIZATION WHICH
IS CHARGED WITH POLICY MAKING IN THE AREA OF
LIGHT METAL DEVELOPMENT. FYI: THE ARGENTINE ARMED
FORCES HAVE ALWAYS TAKEN A STRONG INTEREST AND AN ACTIVE
PARTICIPATION IN THE DEVELOPMENT OF BASIC METALS
SECTOR. END FYI

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5. ALUAR ESTIMATES THAT DURING CALENDAR YEAR 1975 THEIR SALES WILL AMOUNT TO ARGENTINE \$45 MILLION (OR US\$ 450,000 AT OFFICIAL RATE US\$1 EQUALS ARGENTINE \$10). THE FIRM BEGAN PRODUCING COMMERCIALY AND MARKETING ALUMINUM IN JAN 75.

6. ALUAR INCOME STATEMENT WILL BEGIN SHOWING ENTRIES ON SALES AND PROFITS LINES AS OF JAN 75. INCOME STATEMENT FOR PERIOD ENDING 30 JUNE 74 DID NOT SHOW ANY SALES BECAUSE NONE HAD BEEN MADE AT THAT POINT, AND DID NOT SHOW NET PROFITS BECAUSE MOST OF THEIR INCOME FROM INVESTMENTS (DERIVED FROM CAPITAL SUBSCRIPTIONS WHICH HAD NOT YET BEEN COMMITTED TO PAY FOR START-UP EXPENSES) WAS ALLOCATED TO A SPECIAL CONTINGENCY FUND FOR "START-UP RISKS", AS BOARD OF DIRECTORS DECIDED THEY DID NOT WISH TO START PAYING DIVIDENDS BEFORE COMMERCIAL OPERATIONS BEGAN.

7. AS POINTED OUT IN TELCON, THE ALUAR CONTRACT WITH THE GOA, WHICH GIVES IT CERTAIN SPECIAL TAX EXEMPTION, IS CURRENTLY UNDER INVESTIGATION IN CONGRESS FOR ALLEGED IRREGULARITIES. EMBASSY BELIEVES THAT THE INVESTIGATION, WHATEVER ITS OUTCOME, IS UNLIKELY TO AFFECT ALUAR'S OPERATIONS. ADDITIONALLY, GIVEN THE AIR FORCE'S INTEREST IN THE PROJECT AND ALUAR'S MONOPOLY POSITION IN THE ARGENTINE MARKET, THE EMBASSY BELIEVES THAT BOTH THE COMMERCIAL AND POLITICAL RISKS IN SELLING TO THIS FIRM ARE LOW. END QUOTE.
HILL

NOTE BY OC/T: SECSTATE WAS NOT AN ADDRESSEE OF BA 1153.

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